

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

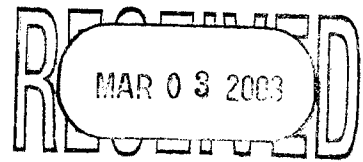
ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY



W-02472A
Mescal Lakes Water Systems Inc.
P. O. Box 85160
Tucson AZ 85754

ANNUAL REPORT

ARIZONA CORPORATION
COMMISSION



Director of Utilities

FOR YEAR ENDING

12	31	2002
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FOR COMMISSION USE

ANN04	02
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*3/13/03
C. M.*

COMPANY INFORMATION

Company Name (Business Name) Mescal Lakes Water Systems, Inc.		
Mailing Address 1121 W. Grant Rd., #413		
(Street)		
Tucson	AZ	87505
(City)	(State)	(Zip)
520-624-4404	520-792-0377	
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address _____		
Local Office Mailing Address Same		
(Street)		
(City)	(State)	(Zip)
Local Office Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address _____		

MANAGEMENT INFORMATION

Management Contact: Southwestern Utility			
Management, Inc.			
(Name)		(Title)	
1121 W. Grant Rd., #413	Tucson	AZ	85705
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address _____			
On Site Manager: Ezra H. Lewis			
(Name)			
1121 W. Grant Rd., #413	Tucson	AZ	85705
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address _____			

Statutory Agent <u>Ezra H. Lewis</u>			
(Name)			
1121 W. Grant Rd., #413	Tucson	AZ	85705
(Street)	(City)	(State)	(Zip)
520-624-4404	520-792-0377		
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Attorney: _____			
(Name)			
(Street)	(City)	(State)	(Zip)
Telephone Number (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	

OWNERSHIP INFORMATION

Check the following box that applies to you company:	
<input type="checkbox"/> Sole Proprietor (S)	<input type="checkbox"/> C Corporation (C) (Other than Association/Co-Op)
<input type="checkbox"/> Partnership (P)	<input checked="" type="checkbox"/> Subchapter S Corporation (Z)
<input type="checkbox"/> Bankruptcy (B)	<input type="checkbox"/> Association/Co-Op (A)
<input type="checkbox"/> Receivership (R)	<input type="checkbox"/> Limited Liability Company
<input type="checkbox"/> Other (Describe) _____	


COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:		
<input type="checkbox"/> APACHE	<input checked="" type="checkbox"/> COCHISE	<input type="checkbox"/> COCONINO
<input type="checkbox"/> GILA	<input type="checkbox"/> GRAHAM	<input type="checkbox"/> GREENLEE
<input type="checkbox"/> LA PAZ	<input type="checkbox"/> MARICOPA	<input type="checkbox"/> MOHAVE
<input type="checkbox"/> NAVAJO	<input type="checkbox"/> PIMA	<input type="checkbox"/> PINAL
<input type="checkbox"/> SANTA CRUZ	<input type="checkbox"/> YAVAPAI	<input type="checkbox"/> YUMA
<input type="checkbox"/> STATEWIDE		

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D (OC less AD)
301	Organization	104	---	104
302	Franchises	250	---	250
303	Land and Land Rights	9,063	---	9,063
304	Structures and Improvements	7,303	3,702	3,601
307	Wells and Springs	30,319	13,628	16,691
311	Pumping Equipment	49,025	27,228	21,797
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	64,054	37,375	26,679
331	Transmission and Distribution Mains	439,873	317,576	122,297
333	Services	74,914	28,087	46,827
334	Meters and Meter Installations	40,271	21,617	18,654
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	715,176	449,213	265,963

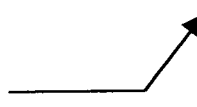
This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	104	---	
302	Franchises	250	---	
303	Land and Land Rights	9,063	---	
304	Structures and Improvements	7,303	5%	365
307	Wells and Springs	30,319	5%	1,516
311	Pumping Equipment	49,025	5%	2,451
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	64,054	5%	3,203
331	Transmission and Distribution Mains	439,873	5%	21,993
333	Services	74,914	5%	3,747
334	Meters and Meter Installations	40,271	5%	2,014
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	715,176		35,289

This amount goes on Comparative statement of Income and Expense
Acct. No. 403.



BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 10,354	\$ 15,388
134	Working Funds		
135	Temporary Cash Investments	79,234	139,645
141	Customer Accounts Receivable	21,547	23,357
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	1,101	1,101
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 112,236	\$ 179,491
	FIXED ASSETS		
101	Utility Plant in Service	\$ 693,923	\$ 715,176
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(413,924)	(449,213)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 279,999	\$ 265,963
	TOTAL ASSETS	\$ 392,235	\$ 445,454

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.	LIABILITIES	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$ 25
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	41,859	46,027
236	Accrued Taxes	807	787
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 42,666	\$ 46,839
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes Payable	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	144,545	156,232
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	141,573	141,573
272	Less: Amortization of Contributions	(141,573)	(141,573)
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 144,545	\$ 156,232
	TOTAL LIABILITIES	\$ 187,211	\$ 203,071
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 100	\$ 100
211	Paid in Capital in Excess of Par Value	159,638	159,638
215	Retained Earnings	45,286	82,645
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 205,024	\$ 242,383
	TOTAL LIABILITIES AND CAPITAL	\$ 392,235	\$ 445,454

Beginning Retained Earnings	45,286
Net Income	47,359
Dividends Paid	(10,000)
Ending Retained Earnings	<u>82,645</u>

See Accountants' Report.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 155,983	\$ 172,601
460	Unmetered Water Revenue		
474	Other Water Revenue	2,985	2,524
	TOTAL REVENUES	\$ 158,968	\$ 175,125
	OPERATING EXPENSES		
601	Salaries and Wages	\$	\$
610	Purchased Water		
615	Purchased Power	12,061	13,518
618	Chemicals	21	
620	Repairs and Maintenance	3,135	2,840
621	Office Supplies and Expense	1,595	1,960
630	Outside Services	49,553	56,285
635	Water Testing	2,110	2,426
641	Rents		
650	Transportation Expense	3,901	4,744
657	Insurance – General Liability	(1,093)	1,448
659	Insurance – Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	448	475
403	Depreciation Expense	34,226	35,289
408	Taxes Other Than Income		
408.11	Property Taxes	9,221	9,652
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 115,178	\$ 128,637
	OPERATING INCOME/(LOSS)	\$ 43,790	\$ 46,488
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$ 1,607	\$ 411
421	Non-Utility Income	263	845
426	Miscellaneous Non-Utility Income		
427	Interest Expense	(374)	(385)
	TOTAL OTHER INCOME/(EXPENSE)	\$ 1,496	\$ 871
	NET INCOME/(LOSS)	\$ 45,286	\$ 47,359

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principal	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 38,588.50

Meter Deposits Refunded During the Test Year \$ 5,575.00

COMPANY NAME Mescal Lakes Water Systems

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (Gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-800432	15	80	415	8	2	1975
Not in Service 55-800433	5	10	1098	6	N/A	1971
55-561268	15	140	400	8	2	1997

- Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
None		

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
7.5	4		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
20,000	1	3,000	1
50,000	1	5,000	1

COMPANY NAME Mescal Lakes Water Systems

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2		
3	PVC	1,870
4	PVC	19,050
5		
6	PVC	38,100
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	432
3/4	
1	6
1 1/2	
2	4
Comp. 3	
Turbo 3	
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

None

STRUCTURES:

770' of 6' Chain Link Fence

OTHER:

COMPANY NAME: Mescal Lakes Water Systems

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2002

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	420	1,461,713	1718
FEBRUARY	421	1,848,634	2020
MARCH	422	1,606,957	1828
APRIL	425	2,111,459	2314
MAY	428	2,476,651	2685
JUNE	431	3,079,196	3214
JULY	432	3,134,347	3568
AUGUST	433	2,098,740	2364
SEPTEMBER	435	2,732,384	3051
OCTOBER	436	2,146,835	2406
NOVEMBER	441	1,908,342	2151
DECEMBER	442	1,625,831	1935
TOTAL		N/A	29254

26,520,000

Is the Water Utility located in an ADWR Active Management Area (AMA)?

() Yes

(X) No

Does the Company have An ADWR Gallons Per Capita Per Day (GPCPD) requirement?

() Yes

(X) No

If yes, provide the GPCPD amount:_____

What is the level of arsenic for each well on your system. $\frac{0.0064}{0.0052} \frac{\text{mg}}{\text{l}}$

(If more than one well, please list each separately)

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME Mescal Lakes Water Systems, Inc.

YEAR ENDING 12/31/2002

PROPERTY TAXES

Amount of actual property taxes paid during Calendar year 2002 was \$ 9,652.17

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property tax paid, explain why. _____

INCOME TAXES

For this reporting period, please provide the following:

Federal Taxable Income Reported

Estimated or Actual Federal Tax Liability

S Corporation

State Taxable Income Reported

Estimated or Actual State Tax Liability

S Corporation

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances

297,805

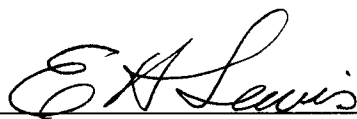
Amount of Gross-Up Tax Collected

Total Grossed-Up Contributions/Advances

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.



SIGNATURE

2/28/03
DATE

Ezra H. Lewis

PRINTED NAME

President

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED
MAR 03 2003

**VERIFICATION
STATE OF**

Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME)

Cochise

Director of Utilities

NAME (OWNER OR OFFICIAL) TITLE

Ezra H. Lewis

COMPANY NAME

Mescal Lakes Water Systems, Inc.

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH

12

DAY

31

YEAR

2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2002 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 183,130

(THE AMOUNT IN THE BOX ABOVE
INCLUDES \$ 10,529

IN SALES TAXES BILLED, OR COLLECTED)

****REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

Ezra H. Lewis
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

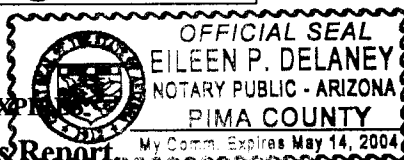
28TH

DAY OF

(SEAL)

MY COMMISSION EXPIRES

See Accountant's Report



COUNTY NAME

PIMA

MONTH

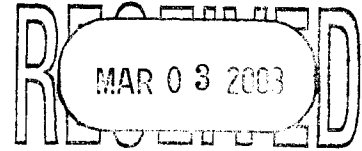
FEBRUARY

2003

Eileen P. Delaney
SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE**
Intrastate Revenues Only

ARIZONA CORPORATION
COMMISSION



VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

(COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Ezra H. Lewis	TITLE President
COMPANY NAME Mescal Lakes Water Systems, Inc.	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2002

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01 ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2002 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ 175,189

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 10,072
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**

SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

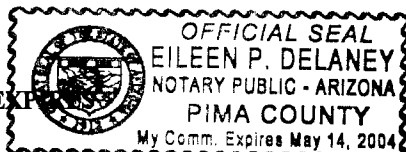
**SUBSCRIBED AND SWORN TO BEFORE ME
A NOTARY PUBLIC IN AND FOR THE COUNTY OF
THIS**

20TH DAY OF

(SEAL)

MY COMMISSION EXPIRES

See Accountants' Report



NOTARY PUBLIC NAME EILEEN P. DELANEY	
COUNTY NAME PIMA	
MONTH FEBRUARY	YEAR 2003

SIGNATURE OF NOTARY PUBLIC

COCHISE COUNTY TREASURER
Receipt of Taxes Paid

Date: 24 Oct 2002 Time: 11:55:15

Page: 1
Cashier: DRO

Tax Year	Parcel	Portion	Tax Paid	Interest Paid	Penalty Paid	Paid
2002	93860900006	1	4,594.91			4,594.91
2002	12415626008	1	54.83			54.83

Payment type: Check# 1238

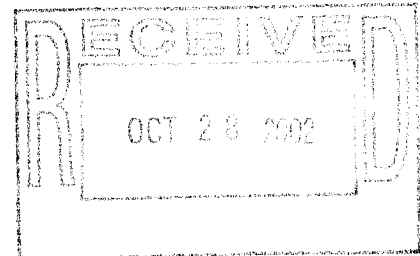
Payment Received: \$ 4,649.74

Tax still owing: .00

Notes:

Received from:

MESCAL LAKES WATER SYSTEMS INC
PO BOX 85160
TUCSON AZ 85754



COCHISE COUNTY TREASURER
Receipt of Taxes Paid

Date: 29 Apr 2002 Time: 13:39:40

Page: 1
Cashier: PGR

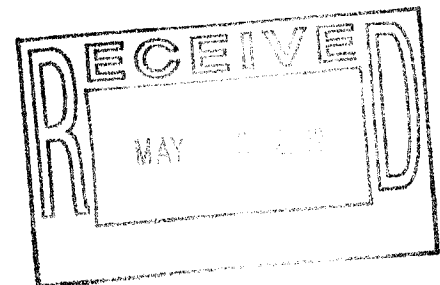
Tax Year	Parcel	Portion	Tax Paid	Interest Paid	Penalty Paid	Paid
2001	93860900006	2	5,002.43			5,002.43

Payment type: Check# 1167

Payment Received: \$ 5,002.43

Tax still owing: .00

Notes:



Received from:

MESCAL LAKES WATER SYSTEM
1121 W GRANT RD STE 413
TUCSON AZ 85705

HOLM, HESTAND & VALENZUELA, CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
3131 NORTH COUNTRY CLUB ROAD, SUITE 109
TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA
EMMA K. HESTAND, CPA
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483
FAX: (520) 795-5191
E-MAIL: HHVCPA@EARTHLINK.NET

We have compiled the balance sheets of Mescal Lakes Water Systems, Inc. as of December 31, 2002 and 2001, and the related comparative statements of income and expense for the years then ended, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have also compiled the supplementary information presented in the prescribed form.

Our compilation was limited to presenting in the form prescribed by the Arizona Corporation Commission information that is the representation of management. We have not audited or reviewed the financial statements and supplementary information referred to above, and accordingly, do not express an opinion or any other form of assurance on them.

These financial statements and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

Holm, Hestand, Valenzuela CPAs P.C.

February 15, 2003